

PECFA Payments and Bonding Funds March 2001

During the time period leading up to the Governor's budget presentation, one of the frequent topics of conversation was what would be included in the budget bill for additional PECFA bonding. The obvious concern was whether the level recommended would be enough for PECFA to be able to stay on its current "pay as reviews are completed basis". With the announcement of the budget bill and its provision for an additional \$100,000,000 in bonding authority, it is an opportune time to review the status of the PECFA fund.

As of the end of January 2001, PECFA had \$19.8 million in claims in house and in line to be reviewed. (As this is being written, we are not yet at the end of February. Consequently, we need to work with the January numbers which are available.) Presently, the PECFA program is paying approximately \$9.6 million in claims per month. This total amount of payments is divided between one set of checks paid about mid month and one that is paid at month end. We anticipate that the monthly dollar average will increase slightly over the next few months and that the current turnaround time from claim receipt to payment will be further reduced.

After debt servicing the PECFA bonds, the program currently has \$6.7 million in regular monthly funding (non-bond funds) to pay claims. Simple math verifies that in the absence of the bond funds, the program is \$2.9 million or more short each month when regular funds are compared to claims processed. The bond funds have been used to make up this deficit and the current estimate is for the last of the bond funds (\$20 million worth) to be issued in April of 2001. The last \$20 million will be used at the end of the current fiscal year and the start of the next.

During the last 12 months, the dollar value of claims received each month has varied from a low of \$5.76 million (119 claims) to \$11.78 million (176 claims). The total for the 12 months was \$109.23 million with an average monthly receipt of \$9.1 million. With a regular funding estimate of \$68.1 million in State Fiscal Year 2002, there is an expected deficit of approximately \$41.1 million per year if claims continue to be received at \$9.1 million per month.

In some earlier estimates, we have concluded that claims received during the biennium could total \$233.8 million. A comparison of the \$233.8 million and the \$136.2 million in regular funds that will be available for the biennium results in an expected deficit of slightly under \$100 million. The proposed bond authority, however, covers this projected deficit.

Although many conditions can change and the brief overview that I have provided is simplified, (for example it does not reflect additional debt service costs, savings from interest cost reductions, impact of cost controls and many other factors), it does provide a snapshot of the fund's status. Based upon the snapshot, there is a general belief and expectation that the fund will be able to continue on its "pay as reviews are completed basis" through the biennium.